

City Council of the Mayor and Council of New Castle
Budget Workshop Meeting: Public Safety Building – 1 Municipal Blvd. – New Castle
Thursday – June 17, 2010 – 6 p.m.

Present:

Council President William Barthel
Councilperson John Cochran
Councilperson John Gaworski
Councilperson Ted Megginson
Councilperson Teel Petty (arrived late)

Also present:

City Treasurer Janet Carlin, City Administrator Cathryn Thomas,
Finance/HR Director Marian Delaney

This Budget Workshop was to discuss the Insurance Renewal and Revenues for the 2010-11 City Budget.

The City Administrator provided the following report on the upcoming City insurance renewal.

Two brokers responded to the advertisement as being interested in bidding on the City's insurance. They are the current coverage provider, the DeLea Founders Insurance Trust (DFIT) and the former coverage provider, Insurance and Financial Services (IFS).

There was a deadline for outline proposals and premium summaries to be submitted. The DFIT provided a complete premium quotation, however IFS was missing a line of coverage for the Law Enforcement Liability premium.

IFS said they needed a Broker Of Record (BOR) letter from the City in order to obtain a quote from the Scottsdale company for this coverage. When this process started out, however, the City decided BOR letters would not be provided, nor would the City assign carriers from which the brokers could obtain quotes.

The DFIT had obtained at least two quotes, one from the Darwin company and another from Scottsdale (which is why Scottsdale would not provide a duplicate quote for this line of coverage for the City to another broker). The DFIT determined the Scottsdale quote was higher than the one from Darwin, so in the DFIT package they are quoting this line of coverage to be provided by Darwin.

IFS has said they could still get a quote to provide this line of coverage to the City if they were selected to provide all the other coverages and the City gave them a BOR letter. They were unable, however, even upon being given an extended deadline, to find another carrier to provide a quote for Law Enforcement Liability insurance. Therefore, when comparing the overall numbers, to make it fair, the DFIT/Darwin quote was plugged in for this line of coverage and added into the IFS overall quote.

A detailed analysis has been done relative to coverage limits and deductibles, comparing the two broker proposals. There are numerous differences and it varies from line to line which broker is providing the better coverage. There are 28 instances where the coverage is better from DFIT and 13 instances where the coverage is better from IFS. The variances of coverage for the individual line items are all over the board.

Both policies will cover the sluice gates, which was an issue last year. The policy from IFS, through Zurich as the carrier, does not provide payment for defending non-monetary claims, while the DFIT policy through Darwin as the carrier does provide this coverage, which was another item discussed last year.

Another item IFS noted last year was the level of umbrella coverage. The quotes for the coming year have the \$5 million umbrella from IFS, the same as their quote last year. The DFIT limits for umbrella coverage, however, have increased significantly, with \$5 million stand alone coverage over each of the seven coverage categories, which translates to a total of \$35 million umbrella coverage.

For Workers' Compensation coverage, the IFS premium quote included a 13% deduction which the City can receive by applying for the Workplace Safety Credit through the State of Delaware. The DFIT quote does not include this deduction, however if the City is approved by the State, the same 13% deduction would apply to the DFIT premium. Therefore, to compare apples to apples, 13% has been deducted from the DFIT quote for this line of coverage.

So, with all this the bottom line numbers are as follows:

	DFIT	IFS
Total Quote	\$204,924.19	\$207,879.00

The DFIT quote is \$2,954.81 less than the quote from IFS, taking into account the reasonable adjustments detailed above.

Council members concurred that the City will maintain its coverage with the DFIT group.

Ms. Delaney provided a worksheet which included five and six year averages for revenues collected by the City. The Council then reviewed line-by-line revenues to be included in the 2010-11 budget.

Prior to setting the revenues, the Council members reviewed information provided by Ms. Delaney showing wage and benefit information for all City employees.

For property tax collections, the Council agreed to budget a total of \$2,900,000. This is compared to a slightly higher amount budgeted to be collected in the current budget and considers that through the end of May, an actual total of \$2,813,986 has been collected.

It was noted that the total taxable value based on assessments in New Castle for the coming fiscal year will be \$267,701,017, which includes a number of properties which have exemptions. That can be compared with the total assessed value of about \$5,700,000.

For property tax transfers, which the City receives each time a property changes hands within the City limits, that revenue was left the same as it is in the current budget at \$175,000. It was noted that this revenue had been quite robust, during the extended period of time while the housing boom occurred. Since the housing market slow-down and devaluation of many properties, however, this revenue has been steadily declining, and currently is a small fraction of what it had been.

The line item for Business License revenues was increased to \$95,000, up from the current budget of \$80,000 and reflecting that for 11 months of the current fiscal year the actual amount collected had been \$96,415. This increase is attributed to the increase in the fee at the beginning

of the current fiscal year, and also to the diligent efforts of Code Enforcement Officer John Lloyd going after businesses who should have, yet did not obtain business licenses.

The line item for Building Department Penalties was lowered \$25,000 and budgeted for the coming year at \$150,000, noting that the actual amount collected in 11 months had been \$134,856.

The MSC appropriation had been \$500,000, however for FY10-11 has been approved by the Commissioners at \$450,000.

The revenue line for Franchise Fees was increased \$10,000 to \$80,000, reflecting an actual amount of \$80,420 collected for 11 months of the current fiscal year.

Interest Income revenue was decreased from \$20,000 to \$6,000 as a result of significantly lower interest rates being paid on money the City has invested.

Revenue for Summer Recreation was increased by \$700 to \$3,000, taking into consideration that collection for this line item in 11 months yielded \$4,503.

Municipal Street Aid was budgeted at \$86,000, going on information that the State would fund this item in the State budget at \$4 million, when two years ago it had been \$6 million and in the current fiscal year was cut from the State budget altogether. Revenue the City receives as Community Transportation Funds was budgeted at \$80,000. This reflects a 50% decrease in the funds State elected officials have available to provide to the various local governments within their districts.

In conclusion, it was noted that Ms. Delaney will now plug into the budget the revenue items set by the Council members. That should complete the budget and the finished draft will be presented to the Council, which will include the difference where the City is between revenues and expenses. That way, Council members can decide on further changes they deem appropriate for the budget.

Respectfully submitted,

Cathryn C. Thomas
New Castle City Administrator